

**OPINION
46-207**

June 12, 1946 (OPINION)

MUNICIPAL WARRANTS

RE: May Not be Issued to Banks as Security for Loans

This office is in receipt of your letter of June 10, 1946, in which you inquire whether it is permissible under existing statutes for a political subdivision of the state, such as a township, village, or city, to issue and register warrants and, in effect, sell them to a bank and redeem them when funds are made available.

Section 21-0104 of the 1943 Revised Code provides:

"In case any taxing district is unable to sell its certificates of indebtedness, it may issue warrants in payment of current expenses in excess of cash on hand, but not in excess of eighty-five percent of taxes levied for the fiscal year of issue but uncollected and not otherwise encumbered, plus fifty percent of the uncollected and not otherwise encumbered taxes of the four preceding years, and the funds derived from the collection of taxes for the current year and such preceding years, to the extent that the same have been encumbered, shall constitute a special fund for the payment of warrants issued against such taxes. If warrants are issued in excess of such limitations, such warrants shall possess no validity as against the taxing district, but the officials knowingly and willfully issuing the same shall be liable personally for the payment thereof."

It is my opinion that warrants should be issued directly to the person to whom payment is due and that they should not be issued to a bank or any other loaning agency as evidences of a loan. Warrants can legally only be issued in payment of current expenses. They should be issued in payment of expenses incurred.

NELS G. JOHNSON

Attorney General